Introducing workforce planning

WFP takes the guesswork out of people decisions by using evidence and analytical rigour to provide hard evidence

- At its simplest, WFP compares internal and external demand and supply data to identify workforce gaps which in turn inform decisions on how to address the gap
- It makes use of scenarios and external data to compare alternative outcomes
- Insights generated from this analysis can be managed through workforce plans
- Over any horizon, WFP insights help make improved people decisions, business decisions and talent interventions, in turn helping to achieve improved outcomes
- This sets out Deloitte’s global methodology for WFP, including material which defines the way in which WFP can be used to help address business challenges:
The rationale for WFP

WFP helps achieve improved business outcomes through the creation of an evidence-based plan which details the expected impact on costs and skills.

Improved plans

Ability to plan for, and adjust, workforce usage, mix, pricing and timeliness, alongside view of customer and operational impact.

Evidenced actions

Plans provide evidence for decision making:
- Resource allocation
- Skills development
- Recruitment & retention
- Redeployment & mobility
- Supplier management

Better outcomes

More effective actions will deliver improved business outcomes including:
- Reduced labour cost
- Revenue/ margin
- Performance/ productivity
- Staff engagement
- Career development

Feedback, measurement and continuous improvement

Collect the data to make evidence based decisions: bring together demand and supply data and augment with other sources which link people to business performance (e.g. revenue, margin).

Put in place a rounded solution to act on insights – there are four overarching components:
- Process
- People
- Data
- Technology

New capability

Put in place a rounded solution to act on insights – there are four overarching components:
- Process
- People
- Data
- Technology

Analytics provides insights

Collect the data to make evidence based decisions: bring together demand and supply data and augment with other sources which link people to business performance (e.g. revenue, margin).

Customer data

Work data

Finance data

People data
Benefits of workforce planning (1/2)

Organisations can incur significant costs by failing to use available people, financial, customer and work data to make evidence based decisions.

Costs are incurred when workforce shortages and surpluses exist:

1. Workforce shortages represent costs associated with limited operational capacity
2. Workforce surpluses represent a carrying cost for under-utilized staff
   - Supply = Actual FTEs in the period; consider full time and contractor FTEs
   - Demand = Number of FTEs required through the period, assuming planned workload remained constant

Reactive talent interventions can leave organisations struggling to manage workforce gaps from workers retiring, lay-offs or turnover:

- Hiring, termination, and lost productivity (e.g., time to fill and time until productive) costs can vary from 25% to 200% of the positions' annual compensation in the oil and gas industry
- Reactively addressing workforce gaps can further increase these labor-related costs by 3 to 5%
- Increased hiring and ramp-up time costs to fill shortages
- Increased termination costs to reduce surpluses

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**Cost of Gap**

1. Workforce shortages represent costs associated with limited operational capacity
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**Total Labor Related Costs**

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- Reactively addressing workforce gaps can further increase these labor-related costs by 3 to 5%
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**Summary view of workforce supply and demand**

- Supply = Actual FTEs in the period; consider full time and contractor FTEs
- Demand = Number of FTEs required through the period, assuming planned workload remained constant

**Simple business case for workforce planning**

- Workforce cost
- Hiring Cost
- Termination Cost
- Lost Productivity Cost
- Turnover

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Benefits of workforce planning (2/2)
As either a one-off transformation or repeatable solution, WFP can bring improved outcomes through better decision making capability

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<th>Identify and prioritise change</th>
<th>Align strategy and HR</th>
<th>Make the best use of your workforce</th>
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<tr>
<td>• Increases visibility and insight in workforce-related issues</td>
<td>• Identifies trends and enables organizations to pin-point where operational and employee change should occur</td>
<td>• Ensures that HR policies and programs support overall business goals and objectives</td>
<td>• Quantifies the talent requirements to meet business objectives</td>
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<tr>
<td>• Improves ability to assess operational needs, costs and investments</td>
<td></td>
<td>• Makes people central to strategy formulation and achievement</td>
<td>• Enables optimisation of the workforce today and in the future</td>
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<td></td>
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<td>• Flags upcoming employee turnover</td>
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<th>Nurture your talent</th>
<th>Drive cost saving and profitability</th>
<th>Improve talent ROI</th>
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<tr>
<td>• Identifies and prioritises critical workforce segments which drive competitive edge</td>
<td>• Identifies and provides insight around workforce issues and recruitment</td>
<td>• Determines which talent segments to invest in based on their ROI</td>
<td>• Helps reduce delays to meet production goals by having the right number of people</td>
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<tr>
<td>• Provides key inputs to redesign job families, roles and associated competency models</td>
<td>• Enables targeted and proactive reductions in force rather than large scale cutbacks</td>
<td>• Increases understanding of where money invested in people will have the greatest ROI</td>
<td>• Helps increase product development by ensuring organisations have the best people with the right skills</td>
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It is critical to identify the business challenge which WFP will help to address – the business case is fundamental to delivery of a successful solution
**Workforce planning projects**

There are two main types of WFP projects: as a one-off to achieve transformation or as a repeatable HR and business process.

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<td>• Achieve business and organisational transformation</td>
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<td>• Reduce cost</td>
<td>• Which groups are most critical to business growth?</td>
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<td>• Change workforce skills mix</td>
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<td>• Increase labour flexibility</td>
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<td>• Workforce review</td>
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Typical business drivers:
• Become an Insight Driven Organisation
• Improve success of talent interventions/programmes
• Break planning silos
• Exploit analytics technology investment
• Increase professionalism of HR

Key questions clients ask:
• How do I build the capability of HR to lead the business with workforce insights?
• How do I embed data into decision making about people?
• How can I align HR, Financial and Operational planning processes?

Typical projects:
• WFP process solution design and implementation
• HR Transformation Programme
• Analytics and Workforce Planning capability development

How the WFP method is aligned:
1. Scope & Discover
2. Analyse data & generate insights
3. Pilot, plan and act
4. Solution design & test
5. Rollout

The first three steps of the WFP methodology can be used to generate insights into the workforce to support workforce transformation; this insight can then be used as the basis of a repeatable solution.

All five steps of the method apply to developing a systematic WFP solution. Without steps 1-3, which generate the tangible insights and pilot WFP, it can be difficult to fully identify the requirements for a solution.

Any project which requires an understanding of demand for work/people and the supply of workforce can benefit from utilising the global WFP methodology.
Time horizons for workforce planning

WFP can be undertaken at several levels, depending upon the business rationale: strategic, tactical and operational (scheduling/rostering)

**Strategic workforce planning**

Plan which sets out the long-term future for the workforce in relation to the strategic direction of the business (12 months to five years). Conducted alongside wider business forecasting, budgeting and planning. Identifies how the people and skill mix must change to achieve strategic business outcomes.

**Tactical workforce planning**

Plan which supports the business to deliver against customer demand over the medium-term (1 to 18 months) through identifying which levers the organisation can use to achieve a balance between the forecast people and skill demand and supply.

**Operational workforce planning**

Actions which can be taken in the short-term to deliver on immediate customer and business demand. May be referred to as scheduling or rostering.

The boundaries between are blurred, and will depend on the nature of the organisation. Plans at each level should align to one another.
Components of a strategic workforce plan

WFP compares internal and external demand and supply data to identify workforce gaps, to inform workforce decisions and measure outcomes.

This framework is described in further detail on page 14 (key questions) and page 15 (key activities to deliver).
Key questions workforce planning addresses

WFP compares internal and external demand and supply data to identify workforce gaps, to inform workforce decisions and measure outcomes.

1. Workforce segmentation
   - Key questions: What are the business outcomes we want to achieve? Which roles or skills are most critical to business outcomes? How difficult are they to replace? What will be expected of these in the future?

2. Internal workforce supply
   - Key questions: How many and of what type of resources are available internally? When? What is their cost? What are historic and forecast rates of hiring, development, availability and retention?

3. Internal workforce demand
   - Key questions: What is the business demand for workforce activity? How is this translated into workforce need? How can business demand be linked to workforce segments?

4. External and internal scenario & sensitivity analysis
   - Key questions: Is there a deficit or surplus in a segment? What is the business impact? Do we need to go back and consider other scenarios/sensitivity in modelling?

5. Outputs and insights
   - Key questions: Is there a deficit or surplus in a segment? What is the business impact? Do we need to go back and consider other scenarios/sensitivity in modelling?

6. Business and talent interventions
   - Key questions: What actions best mitigate risk, cost, operational and people impacts according to base case and scenarios? Can we alter demand? Can we act to improve supply? How do we measure outcomes? What does WFP tell us about our business plan? Is it realistic?
Key activities to deliver workforce planning

WFP compares internal and external demand and supply data to identify workforce gaps, to inform workforce decisions and measure outcomes.

1. Workforce segmentation
   - Source business strategy, organization, job family, job & skill data
   - Identify and prioritise business critical/hard to replace roles and skills
   - Agree level of detail to go to in analysis of roles

2. Internal workforce supply

3. Internal workforce demand
   - Source demand data and assess quality; make assumptions
   - Translate via rules business demand (activity, sales, pipeline) into people demand
   - Build model of future demand, divided into segment and skill as required

4. External and internal scenario & sensitivity analysis

5. Outputs and insights
   - Generate analysis or reports to support decision making
   - Agree inputs, outputs and assumptions
   - Interpret outputs and create workforce plan

6. Business and talent interventions
   - Discuss, design and implement business and talent interventions
   - Wrap narrative around plan to generate understanding
   - Track and measure impact

Key activities:
- Source supply data and assess quality; make assumptions
- Visualize the organisation and calculate supply trends
- Identify current and future supply availability by segment
- Augment model with external data (for instance labour market stats, industry norms)
- Validate and optimise model with refined assumptions and identify limitations
- Analyse model sensitivity and consider the impact of supply and demand scenarios
What does a workforce plan look like?

A workforce plan sets out the projected number and type of people to deliver business goals and captures the interventions to achieve the plan.

A good workforce plan:

• Sets out how the strategic objectives will be fulfilled through the workforce
• Identifies interventions to minimise gaps between workforce demand and supply
• Considers alternative scenarios depending on the outcome of interventions
• Prioritises interventions and shows their impact over time
• Facilities new insights and discussions, engaging stakeholders beyond HR
• Is a living process – ongoing tracking of actions and outcomes is critical
• May contain complex information about demand and supply, but is easy to interpret and use in the business
How analytical techniques enable workforce planning

WFP is more than just the plan itself. Analytical tools and techniques can help clients see their organisation differently and uncover new insights.

**Identifying critical workforce segments...**

This activity helps determine at what level of detail to perform the workforce analysis, and which workforce segments would have the most significant impact on business outcomes.

The workforce can be segmented in multiple ways; they are assessed in strategic value and difficulty to replace.

**Bringing the organization to life...**

Data sets can be meshed together to create organizational views of activities, supply and demographics – helping uncover new insights into how the workforce supply is structured to meet demand.

**Analysing different scenarios...**

Tools can be used to quickly consider the impact of different scenarios. Demand and supply side factors can be altered. Alternative outcomes can be estimated; in turn a well thought through plan created to best address the gap.

Deloitte’s WFP tools can adjust parameters to explore alternative interventions.

**Modelling the future...**

Plans can be tracked, measured and adjusted in real time – with repeatable solutions to modelling the workforce enabling agile ongoing analysis of workforce plans and performance.

Statistical relationships can be built to enable prediction of workforce requirements in the future should certain parameters change – enabling more agile people decisions to be made supported by evidence.

Dashboard from UK NHS Workforce Planning Portal (Operated by Deloitte)
Sophistication of WFP solutions

WFP does not need to be sophisticated to add value; benefits can be gained by building sophistication over time – this page describes the steps

• Ability to model multiple supply and demand predictive scenarios using internal and external data-insight used to inform future business investment decisions

• Ability to identify and manage the skills required to maximize growth and profitability

• Ability to forecast the right people with the right skills and competencies required to support existing and future operations and projects

• Ability to forecast the number of people required to execute a portfolio of operations and projects in future

• Ability to capture accurate estimates of the workforce required to execute existing operations and projects
Workforce planning methodology (1/2)

Our approach has five distinct phases – practitioners can pick and choose which steps are required for their client’s specific requirements.

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**One-off Project/Transformation**

1. **Scope & Discover**
   - Build a compelling case for change through articulating the scope and vision. Establish the strategic, org. and data landscape. Gather data for analysis. Assess maturity of the data and planning capability.

2. **Analyse data and generate insights**
   - Analyse data to generate insights into the workforce. Select critical workforce segments and build profile of demand and supply. Agree scope of pilot and build outline business case.

3. **Pilot, plan and act**
   - Pilot WFP capability on a department or team. Develop WFP model(s), including baseline, forecasts and scenarios. Show new insights to the business, and engage business in making decisions based on analysis.

4. **Solution Design & test**
   - Develop plan for repeatable WFP approach. Design and test a WFP solution combining data, technology, process and people components. Build business case to show that solution will work effectively at scale.

5. **Rollout**
   - Plan and deliver a phased rollout. Over time enable greater autonomous working and ongoing improvement. In turn improve capability to generate more accurate plans.

**Cross Phase Activities**

- Put in place the necessary supporting infrastructure to enable workforce planning.
Workforce planning methodology (2/2)

Our approach has five distinct phases – practitioners can pick and choose which steps are required for their client’s specific requirements.

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<th>Repeatable HR Process</th>
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<td>5. Rollout</td>
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<td>Strategic vision</td>
<td>Integration of WFP into finance, business and HR processes</td>
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<tr>
<td>Current demand drivers</td>
<td>Central programme governance, tools and templates</td>
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<td>Workforce supply parameters</td>
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<td>Job families and competencies</td>
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<td>Resources, logistics and governance</td>
<td>Final business case</td>
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<td>Benefits case framework</td>
<td>Deloitte Managed Service</td>
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<tbody>
<tr>
<td>Build view of demand</td>
<td>Development of workforce planning model(s) including baselines, forecasts and scenarios</td>
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<tr>
<td>Segment workforce supply and identify critical segments</td>
<td>Identification of opportunities, risks and talent interventions</td>
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<tr>
<td>Data gap analysis</td>
<td>Identification of high level benefits case and ’quick win’ insights</td>
<td></td>
</tr>
<tr>
<td>Identify business rules and translations</td>
<td>Articulated Transformation</td>
<td></td>
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<tr>
<td>Agreed scope of pilot</td>
<td>Data models including forecasts, scenarios, plans, MI</td>
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<tr>
<td>High level benefits case and quick wins</td>
<td>Refined business case</td>
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<tr>
<th>Cross Phase Activities</th>
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<tbody>
<tr>
<td>Programme governance</td>
<td>Leadership and local support</td>
<td>Capability development</td>
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<tr>
<td>Tools and templates</td>
<td>Change management &amp; communications</td>
<td>Benefits case</td>
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Key lessons from workforce planning projects
The following factors consistently emerge as being important to the successful implementation of WFP

- **Business ownership**
  While many WFP activities may be led and delivered by HR, a high degree of accountability should be retained by the business. This helps to increase the relevance, value and operational embedding of activities.

- **Business impact and input to strategy**
  Demonstrating the business impact of workforce plans is critical to justify investment and drive continuous improvement. There should be a ‘feedback loop’ between the business strategy, talent strategy and workforce planning, so that the strategy is informed and enabled by workforce planning.

- **Management of risk**
  Workforce planning should include identification - and inform mitigation - of capacity and capability risk. Such ‘workforce assurance’ approaches not only consider the ability to meet business demand but also monitor performance against plans, consider ‘organisational health’ indicators and track the relationships between workforce attributes and business outcomes.

- **Measuring quality and competence**
  Workforce planning should go ‘beyond volume measures’ to include measures and indicators of the quality and staff competence.

- **Understanding critical workforce segments**
  An effective process will enable planning for scarce but mission-critical resources which can take longer to source and / or have a disproportionate impact on strategic goals and operational performance.
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